

National Lime Association

LIME

The Versatile Chemical

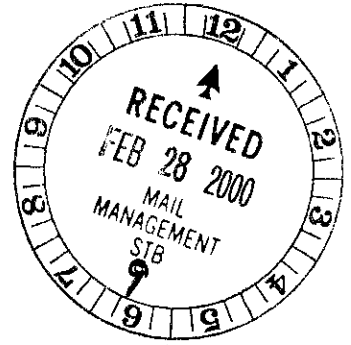
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February 25, 2000



Surface Transportation Board
Office of the Secretary
Case Control Unit
Attn: STB Ex Parte No. 582
1925 K Street, N.W.
Washington, D.C. 20423-0001

Dear Madam or Sir:

Enclosed is an original and 10 copies of the Statement of the National Lime Association to be delivered at the public hearing on Thursday, March 9, 2000, on major rail consolidations and the present and future structure of the North American rail industry (STB Ex Parte No. 582). Appearing on behalf of the National Lime Association will be the undersigned, Hunter L. Prillaman. Also enclosed is a floppy disk with the statement saved in WordPerfect format.

Please let me know if you have any questions or if I can provide you with any further information.

Very truly yours,

Hunter L. Prillaman
Director of Government Affairs

200 North Glebe Road, Suite 800
Arlington, VA 22203-3728
Phone: 703-243-5463 • Fax: 703-243-5489



STATEMENT OF THE NATIONAL LIME ASSOCIATION ON MAJOR RAIL CONSOLIDATIONS

STB Ex Parte No. 582

March 9, 2000

Good Morning. My name is Hunter Prillaman. I am the Director of Government Affairs for the National Lime Association, located in Arlington, Virginia. The National Lime Association, or NLA, is the trade association for U.S. and Canadian manufacturers of high calcium and dolomitic lime, in the form of both quicklime and hydrated lime. NLA represents the overwhelming majority of commercial lime production in this country. Our association has 21 manufacturing members, with 67 lime plants spread across the country. Lime is one of the most important industrial chemicals produced in the United States. It is vital for steelmaking, environmental applications, construction, including roadbuilding, and a myriad of other uses.

Lime companies extract limestone from quarries, and then subject the stone to high levels of heat in large kilns, producing the product lime. Many kilns use significant quantities of coal to produce the required heat. As a mineral-derived product, lime is a lower-cost product than many other chemicals, and thus transportation costs are a significant portion of the delivered cost of lime.

Because of the heavy use of coal, and because of the importance of the transportation element in the cost of lime, rail transportation is essential to the financial success of many lime producers. Even small increases in transportation costs can have significant impacts on profitability, and service disruptions can endanger important business relationships. In many cases, switching to truck transport is not practical or cost-effective. Because lime operations must be located where the limestone deposits are, they can't be moved to reduce transportation costs.

As a result, the NLA's members have been following recent trends in the rail industry with great concern. It has been the experience of our members that consolidations in the industry have led to higher rates and reduced service. We believe that as the railroads consolidate, and face less competition in their industry, they are increasingly unable to appreciate the challenges that competition creates in our industry, as we compete with other products, some of which have access to other forms of transportation. This has led to rate issues, and numerous service problems. In addition to acute problems such as delays, shippers have also observed less flexibility on the part of railroads when competition is removed. We think these problems will only increase with more consolidations, unless steps are taken to ensure improved competition among rail service providers.

We are not necessarily urging you to approve or disapprove any particular merger--that will probably not solve the long term problems faced by rail shippers. Indeed, the consolidations that have already occurred have eliminated meaningful competition in many locations, and stopping further mergers won't help the shippers who are already captive or suffering rate and service problems.

What then should be done? We believe that the STB--and if necessary, Congress--should take steps to make sure all shippers can obtain fair rates and reasonable service, preferably through a system that allows a true market to function through competition. This may or may not mean limiting consolidations; there could be other, more creative solutions. Clearly, long term solutions will be challenging, and will need the input of all the stakeholders in the process. Short term responses should include a greater responsiveness by the Board to shippers' concerns, especially those of small shippers. NLA has participated in the Alliance for Rail Competition, and we agree with many of the points made in ARC's testimony before the Board two days ago.

As I already mentioned, the lime industry is heavily dependent on the rail system, and many of our members simply have nowhere else to go. That is why we feel so strongly that broad solutions are needed to address the effects of the current consolidation trend. Thank you.